

EXCEL-TOOL N°03

Developing Financial Projections for MFI

User's manual

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Purpose of this tool

This third Senbumo tool is part of a set of 3 tools designed to support social practitioners to better understand and manage Financial Statements and Financial Projections. This set of tool includes:

- EXCEL-TOOL N°01: convert Financial Statements into standard format.
- EXCEL-TOOL N°02: establish sound Financial Projections (SME & MFI).
- EXCEL-TOOL N°03: understand and analyze Financial Statements (SME & MFI).

These 3 tools have been designed having in mind practitioners that are not Financial Analysts or Financial Managers but who need to reach a professional level of understanding, especially when considering attracting grants, bank loans, new shareholders or simply to forecast their activities and test it's sustainability.

Financial Statements includes 3 elements:

1. A Profit & Loss (PL).
2. A Cash Flow (CF).
3. A Balance Sheet (BS).

This is not an accounting manual. It is a tool to establish Financial Projections that make sense in terms of profitability, ratios, figures, etc.

EXCEL-TOOL N°01: Understand and analyze Financial Statements

For Social Entrepreneurs and social practitioners, understanding and analyzing Financial Statements is no easy task and are source of frequent confusion. For example, a bank loan is mistaken as a source of income or an investment is considered as an operational expense. The scope of this 2nd tool is to provide basic and sound analytical skills to understand and analyze any type of Financial Statements converted in the above standard format.

EXCEL-TOOL N°02: Convert Financial Statements

Financial Statements are established in various formats depending on origin, type of company, etc. As a result, they are difficult to compare and, in some cases, to understand. The scope of this 1st tool is to convert any kind in financial statements in a standard format easy to understand. In addition, this standard format can be presented in original currency or converted in hard currency (USD/EUR/CHF).

EXCEL-TOOL N°03: Establish sound Financial Projections

To establish sound Financial Projections, a social practitioner needs to combine the 3 above elements in order to estimate the sustainability of his projections. The scope of this 3rd tool is to support any social practitioners to establish his financial projections in the same standard format. As a result, new Financial Projections can be linked to previous Financial Statements in a very user friendly way.

This set of 3 tools exists in 4 versions: English/French; MFI/SME¹.

¹ The tool was first developed to convert MFIs Financial Statements into a standard format. It was later modified for SMEs.

Using this third tool

In this manual, we are going to continue with the 3rd tool designed to establish Financial Projections. The EXCEL tool includes several sheets and clear explanations will be provided for each of them.

Graphic & color conventions

10	Period	1	Cells with light yellow are cells the User can freely modify.
11	Type of data	REAL	
12	Start date	2012-01-01	
13	End date	2012-12-31	
14	Duration (months)	12	
15	Label (linked)	déc2012	Cells with blue numbers are cells that contain an EXCEL formula. These cells <u>must not</u> be modified by the User.

Inputting data

Users may either ENTER data (i.e. type data in cell) or SELECT data (i.e. in a drop list).

Time scope

This tool can establish Financial Projections up to 60 months (5 years) maximum.

Type of enterprise

This 2nd tool can be used for not-for-profit, for-profit, cooperatives, NGOs, associations.

The word *enterprise* will be used over this manual as a generic word.

Monthly, annual projections & dashboard

The Projections are established on a monthly basis and an annual RECAP one page Dashboard is available too.

Sheet parameters

	A	B	C
1	Country	Burkina	
2	Currency	USD	
3	Date of data input	2016-10-19	
4	Name of institution	Tapoa SRL	
5	First year of operations	2007	
6	Legal form	For-profit	
7	Sector	Microfinance	
8			
9	First month (01.mm.yyyy)	2017-01-01	2017
10	Duration (months #)	60	max = 60 months
11	Last month	2021-12-01	

Cells B1:B7: enter basic data about the enterprise. In sheet *list*, User can input a custom currency in cell F5.

Cells B9 – First month: enter the date of the first month of the Financial Projections.

Cell C9: EXCEL calculates the year of first month.

Cells B10: enter the duration in months of your Financial Projections. The maximum value is 60 months.

Cell B11: EXCEL calculates the last month of your financial projections.

Move to next sheet named Fixed-assets.

Sheet Fixed-assets

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1	Tapoa SRL Fixed Assets (USD)														Year 1
2															
3	Sales of fixed assets											2'000			
4															
6	Monthly Fixed Assets investments			20'000	6'000	0	0	0	0	0	0	0	0	0	0
7	Monthly Fixed Assets investments (cumul.)			20'000	26'000	26'000	26'000	26'000	26'000	26'000	24'000	24'000	24'000	24'000	24'000
8	Total monthly amortization			-333	-500	-500	-500	-500	-500	-500	-500	-500	-500	-500	
9	Total monthly amortization (cumul.)			-333	-833	-1'333	-1'833	-2'333	-2'833	-3'333	-3'833	-4'333	-4'833	-5'333	
10	Total net value			19'667	25'167	24'667	24'167	23'667	23'167	22'667	20'167	19'667	19'167	18'667	
11															
14	N	Investments	Amortization	JAN-2017	FEB-2017	MAR-2017	APR-2017	MAY-2017	JUN-2017	JUL-2017	AUG-2017	SEP-2017	OCT-2017	NOV-2017	DEC-2017
18	1	Vehicule	20'000	20'000											
19		5 years	60	20'000	20'000	20'000	20'000	20'000	20'000	20'000	20'000	20'000	20'000	20'000	20'000
20			333	333	333	333	333	333	333	333	333	333	333	333	333
21			333	667	1'000	1'333	1'667	2'000	2'333	2'667	3'000	3'333	3'667	4'000	
22		Net value	19'667	19'333	19'000	18'667	18'333	18'000	17'667	17'333	17'000	16'667	16'333	16'000	
23															
27	2	Computers	6'000	6'000											
28		3 years	36	0	6'000	6'000	6'000	6'000	6'000	6'000	6'000	6'000	6'000	6'000	6'000
29			167	0	167	167	167	167	167	167	167	167	167	167	167
30			0	167	333	500	667	833	1'000	1'167	1'333	1'500	1'667	1'833	
31		Net value	0	5'833	5'667	5'500	5'333	5'167	5'000	4'833	4'667	4'500	4'333	4'167	

The first step with this tool is to determine the total amount of fixed assets the MFI will need to start its activities. In the above example, the MFI plans to:

- Purchase in JAN-2017 a vehicule for a total value of USD 20'000 and 5 years amortization.
- Purchase computers in FEB-2017 for a total value of USD 6'000 and 3 years amortization.
- Sell some old fixed assets in AUG-2017 for a total value of USD 2'000 (cf. cell K3).

In cells B19 & B28: select in the drop lists the forecasted amortization period.

ONLY ONE FIXED ASSET INVESTMENT PER YELLOW LINE. IF A SECOND VEHICLE IS PURCHASED LATER, INSERT IT IN FIXED ASSETS INVESTMENT N°3.

The tool can consolidated up to 10 different fixed assets investments.

Line 10: EXCEL calculates the total net value of fixed assets.

Sheet Proj-60-months

Profit & Loss

	A	B	C	D	J	K	L	M	N	O	P	Q	R	S	T	U
1	Tapoa SRL Monthly financial projections (USD)															Year 1
2	PROFIT & LOSS				JAN-2017	FEB-2017	MAR-2017	APR-2017	MAY-2017	JUN-2017	JUL-2017	AUG-2017	SEP-2017	OCT-2017	NOV-2017	DEC-2017
3	Loans income	50'000	55'000	60'000	65'000	70'000	75'000	80'000	85'000	90'000	95'000	100'000	105'000	105'000	105'000	105'000
4	Investment's income	5'000	5'000	5'000	5'000	5'000	5'000	5'000	5'000	5'000	5'000	5'000	5'000	5'000	5'000	5'000
5	Other income															
6	TOTAL FINANCIAL INCOMES	55'000	60'000	65'000	70'000	75'000	80'000	85'000	90'000	95'000	100'000	105'000	105'000	105'000	105'000	110'000
7	Financial expenses	2'000	2'000	2'000	2'000	2'000	2'000	2'000	2'000	2'000	2'000	2'000	2'000	2'000	2'000	2'000
8	FX loss/gain															
9	GROSS FINANCIAL MARGIN	53'000	58'000	63'000	68'000	73'000	78'000	83'000	88'000	93'000	98'000	98'000	103'000	103'000	108'000	108'000
10	Loan loss provision expenses															
11	Reversals of loan loss provision															
12	NET FINANCIAL MARGIN	53'000	58'000	63'000	68'000	73'000	78'000	83'000	88'000	93'000	98'000	98'000	103'000	103'000	108'000	108'000
13	Personnel expenses	22'000	22'000	22'000	22'000	22'000	22'000	22'000	22'000	22'000	22'000	22'000	22'000	22'000	22'000	22'000
14	Admin expenses	6'000	6'000	6'000	6'000	6'000	6'000	6'000	6'000	6'000	6'000	6'000	6'000	6'000	6'000	6'000
15	Amortization	333	500	500	500	500	500	500	500	500	500	500	500	500	500	500
16	TOTAL OPERATIONAL EXPENSES	28'333	28'500	28'500	28'500	28'500	28'500	28'500	28'500	28'500	28'500	28'500	28'500	28'500	28'500	28'500
17	OPERATIONAL RESULTS	24'667	29'500	34'500	39'500	44'500	49'500	54'500	59'500	64'500	69'500	64'500	69'500	74'500	79'500	79'500
18	Non operational income															
19	Non operational expenses															
20	RESULT BEFORE TAX	24'667	29'500	34'500	39'500	44'500	49'500	54'500	59'500	64'500	69'500	64'500	69'500	74'500	79'500	79'500
21	Profit tax															
22	Dividends															
23	NET MONTHLY PROFIT	24'667	29'500	34'500	39'500	44'500	49'500	54'500	59'500	64'500	69'500	64'500	69'500	74'500	79'500	79'500
24	Retained earnings	24'667	54'167	88'667	128'167	172'667	222'167	276'667	336'167	400'667	470'167	544'667	624'167	624'167	624'167	624'167

Lines 3-5: it is up to the User to calculate on a monthly basis the income from the portfolio. This may sound strange for a MFI financial projection tool but as they are many type of loans with monthly or bullet repayment, up-front fee, etc. that it is impossible to forecast all situations. Moreover, the purpose of this tool is outline an estimate of the forecasted income, so *accounting precizision* is not needed here.

The same exercise takes place with all other yellow lines.

Line 13-15: the breakdown of operational expenses has been restricted to the minimum. Nevertheless, the User can insert additional lines. For example, show a more diversified *personnel expenses* structure (i.e. General Manager, Accountant, staff1, staff2, etc.).

Line 23: EXCEL calculates the monthly net profit.

The Cash-Flow

	A	B	C	D	J	K	L	M	N	O	P	Q	R	S	T	U
1	Tapoa SRL Monthly financial projections (USD)															Year 1
26	CASH FLOW				JAN-2017	FEB-2017	MAR-2017	APR-2017	MAY-2017	JUN-2017	JUL-2017	AUG-2017	SEP-2017	OCT-2017	NOV-2017	DEC-2017
27	Cash begining of period	0	1'043'000	1'055'000	1'078'000	1'106'000	1'139'000	1'177'000	1'221'100	1'272'200	1'326'300	1'385'400	1'449'500	1'449'500	1'449'500	1'449'500
28	Cash flow from operating activities															
29	CASH IN/OUT Net monthly profit (without LLP & amort.)	25'000	30'000	35'000	40'000	45'000	50'000	55'000	60'000	65'000	70'000	75'000	80'000	80'000	80'000	80'000
30	Cash flow from portfolio activities															
31	CASH OUT ST loans disbursement	-10'000	-10'000	-10'000	-10'000	-10'000	-10'000	-10'000	-10'000	-10'000	-10'000	-10'000	-10'000	-10'000	-10'000	-10'000
32	CASH IN ST Loans repayment								1'000	1'000	1'000	1'000	1'000	1'000	1'000	1'000
33	CASH OUT LT Loans disbursement	-2'000	-2'000	-2'000	-2'000	-2'000	-2'000	-2'000	-2'000	-2'000	-2'000	-2'000	-2'000	-2'000	-2'000	-2'000
34	CASH IN LT Loans repayment								100	100	100	100	100	100	100	100
35	Cash flow from investing activities															
36	CASH OUT Investments (purchase of fixed assets)	-20'000	-6'000													
37	CASH IN Investments (sale of fixed assets)									2'000						
38	Cash flow from financing activities															
39	CASH IN Financing (equity & loans)				1'050'000											
40	CASH OUT Financing (equity & loans)															
41	Cash end of period	1'043'000	1'055'000	1'078'000	1'106'000	1'139'000	1'177'000	1'221'100	1'272'200	1'326'300	1'385'400	1'449'500	1'518'600	1'518'600	1'518'600	1'518'600

The second part of the sheet Proj-60-months is the Cash Flow.

Line 27 – Cash beginning of period: EXCEL indicates the total amount of available cash at the beginning of the month. Note that value in cell K27 is equal to value in cell J41.

Cell J27: in the case of a startup, the cash at the beginning of the period is equal to zero (i.e. first donors/investors must provide some financial resources).

Line 29 - CASH IN/OUT Net monthly profit (without LLP & amort.): this line simply copies the PROFIT OF THE PERIOD (cf. line 30) but without including the monthly loan loss provision (or reversals) and the fixed assets amortization as there is no real cash movement regarding these 3 operations.

Line 30-34 Cash flow from portfolio activities: EXCEL retrieves the disbursements and repayments for both the ST and LT portfolio (see line 81-93).

Line 35-37 - Cash flow from investing activities: EXCEL retrieves the data related from investing activities from the sheet *Fixed-assets*.

Line 38-40 - Cash flow from financing activities: EXCEL retrieves the data related to equity investments and/or bank loans from line below.

Line 41 - Cash end of period: EXCEL calculates the cash available at the end of the period.

Cell D41: EXCEL calculates the minimum monthly cash amount of the 60 months period.

Warning! Cell D41 must always be above or equal to zero.

The Balance Sheet, assets

	A	B	C	D	J	K	L	M	N	O	P	Q	R	S	T	U
1	Tapoa SRL Monthly financial projections (USD)															Year 1
43	BALANCE SHEET				JAN-2017	FEB-2017	MAR-2017	APR-2017	MAY-2017	JUN-2017	JUL-2017	AUG-2017	SEP-2017	OCT-2017	NOV-2017	DEC-2017
44	ASSETS															
45	Cash & banks				1'043'000	1'055'000	1'078'000	1'106'000	1'139'000	1'177'000	1'221'100	1'272'200	1'326'300	1'385'400	1'449'500	1'518'600
46	Short term financial investments															
47	Short term receivable															
48	ST Gross portfolio				10'000	20'000	30'000	40'000	50'000	60'000	69'000	78'000	87'000	96'000	105'000	114'000
49	ST loan loss reserve (negative value)															
50	NET SHORT TERM PORTFOLIO				10'000	20'000	30'000	40'000	50'000	60'000	69'000	78'000	87'000	96'000	105'000	114'000
51	TOTAL SHORT TERM ASSETS				1'053'000	1'075'000	1'108'000	1'146'000	1'189'000	1'237'000	1'290'100	1'350'200	1'413'300	1'481'400	1'554'500	1'632'600
52	LT Gross portfolio				2'000	4'000	6'000	8'000	10'000	12'000	13'900	15'800	17'700	19'600	21'500	23'400
53	LT loan loss reserve															
54	NET LONG TERM PORTFOLIO				2'000	4'000	6'000	8'000	10'000	12'000	13'900	15'800	17'700	19'600	21'500	23'400
55	LT Other assets															
56	Fixed assets				20'000	26'000	26'000	26'000	26'000	26'000	26'000	24'000	24'000	24'000	24'000	24'000
57	Amortization				-333	-833	-1'333	-1'833	-2'333	-2'833	-3'333	-3'833	-4'333	-4'833	-5'333	-5'833
58	NET FIXED ASSETS				19'667	25'167	24'667	24'167	23'667	23'167	22'667	20'167	19'667	19'167	18'667	18'167
59	TOTAL LONG TERM ASSETS				21'667	29'167	30'667	32'167	33'667	35'167	36'567	35'967	37'367	38'767	40'167	41'567
60	TOTAL ASSETS				1'074'667	1'104'167	1'138'667	1'178'167	1'222'667	1'272'167	1'326'667	1'386'167	1'450'667	1'520'167	1'594'667	1'674'167

The main accounts of the balance sheet (i.e cash, portfolio ST & LT, fixed assets, liabilities and equity) are calculated by EXCEL. The yellow lines can be adjusted manually in order to reach a zero difference on line 79.

The Balance Sheet, liabilities & equity

	A	B	C	D	J	K	L	M	N	O	P	Q	R	S	T	U
1	Tapoa SRL Monthly financial projections (USD)															Year 1
43	BALANCE SHEET															
61	EQUITY & LIABILITIES															
62	Sight deposits															
63	Term deposits															
64	ST liabilities															
65	ST borrowings															
66	TOTAL SHORT TERM LIABILITIES															
67	LT Other liabilities															
68	LT borrowings															
69	LT subordinated debt															
70	TOTAL LONG TERM LIABILITIES															
71	TOTAL LIABILITIES															
72	Profit of the period															
73	Retained earnings															
74	Reserves															
75	Donated equity															
76	Shareholders equity															
77	TOTAL EQUITY															
78	TOTAL EQUITY & LIABILITY															
79	Difference															

Cell D73: if the financial projections are the continuation of existing financial statements, the amount of retained earnings can be entered here.

Warning! The purpose of this tool is to help the User evaluate if his Financial Projections are sound, balanced, etc. It is not an accounting tool.

The portfolio ST & LT

	A	B	C	D	J	K	L	M	N	O	P	Q	R	S	T	U
1	Tapoa SRL Monthly financial projections (USD)															Year 1
81	PORTFOLIO															
82	ST Portfolio															
83	Monthly loan disbursement															
84	Cumulated															
85	Monthly loan repayment (negative value)															
86	Cumulated															
87	ST Outstanding portfolio															
88	LT Portfolio															
89	Monthly loan disbursement															
90	Cumulated															
91	Monthly loan repayment (negative value)															
92	Cumulated															
93	LT Outstanding portfolio															

Line 83: User can enter monthly disbursed ST loans.

Line 85: User can enter monthly ST loans repayments.

Line 87: EXCEL calculates outstanding portfolio.

Line 88-93: the same stands for the LT portfolio.

Short & Long term financing

	A	B	C	D	J	K	L	M	N	O	P	Q	R	S	T	U
1	Tapoa SRL Monthly financial projections (USD)															Year 1
95	FINANCING				JAN-2017	FEB-2017	MAR-2017	APR-2017	MAY-2017	JUN-2017	JUL-2017	AUG-2017	SEP-2017	OCT-2017	NOV-2017	DEC-2017
96	Bank A-ST															
97	Loans disbursed				1'000'000											
98	Cumulated				1'000'000	1'000'000	1'000'000	1'000'000	1'000'000	1'000'000	1'000'000	1'000'000	1'000'000	1'000'000	1'000'000	1'000'000
99	Loans repayments (negative value)															
100	Cumulated															
101	Loans outstanding				1'000'000	1'000'000	1'000'000	1'000'000	1'000'000	1'000'000	1'000'000	1'000'000	1'000'000	1'000'000	1'000'000	1'000'000
102	Annual interest rate				12.00%	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
103	Monthly interest				1.00%	10'000	10'000	10'000	10'000	10'000	10'000	10'000	10'000	10'000	10'000	10'000
104	Bank B-LT															
105	Loans disbursed															
106	Cumulated															
107	Loans repayments (negative value)															
108	Cumulated															
109	Loans outstanding				0	0	0	0	0	0	0	0	0	0	0	0
110	Annual interest rate															
111	Monthly interest				1.00%											

The tool offers two sources for external borrowings: ST and LT borrowings.

Line 97: User enters borrowed external source of funding. There can be several disbursements but all will bear the same interest rate.

Line 99: User enters external borrowings repayments (with a negative value). By *playing* with the repayment amount and when the repayment takes place, the User can immediately see the impact on his Cash Flow on line 41.

Cell D102: User enters annual interest rate.

Lines 104-111: the same stands for the LT borrowings.

Equity

	A	B	C	D	J	K	L	M	N	O	P	Q	R	S	T	U
1	Tapoa SRL Monthly financial projections (USD)															Year 1
113	EQUITY				JAN-2017	FEB-2017	MAR-2017	APR-2017	MAY-2017	JUN-2017	JUL-2017	AUG-2017	SEP-2017	OCT-2017	NOV-2017	DEC-2017
114	Shareholder 1	WWB	71.4%	50'000	50'000											
115	Shareholder 2	Social investor A	28.6%	20'000	20'000											
116	Shareholder 3		0.0%	0												
117	Shareholder 4		0.0%	0												
118	Shareholder 5		0.0%	0												
119	Shareholder 6		0.0%	0												
120	Shareholder 7		0.0%	0												
121	Shareholder 8		0.0%	0												
122	Shareholder 9		0.0%	0												
123	Shareholder 10		0.0%	0												
124	Total				70'000	0	0	0	0	0	0	0	0	0	0	0
125	Cumulated				70'000	70'000	70'000	70'000	70'000	70'000	70'000	70'000	70'000	70'000	70'000	70'000

The equity section allows tracking the shareholding structure. The User simply enters the amount of additional equity in the appropriate column.

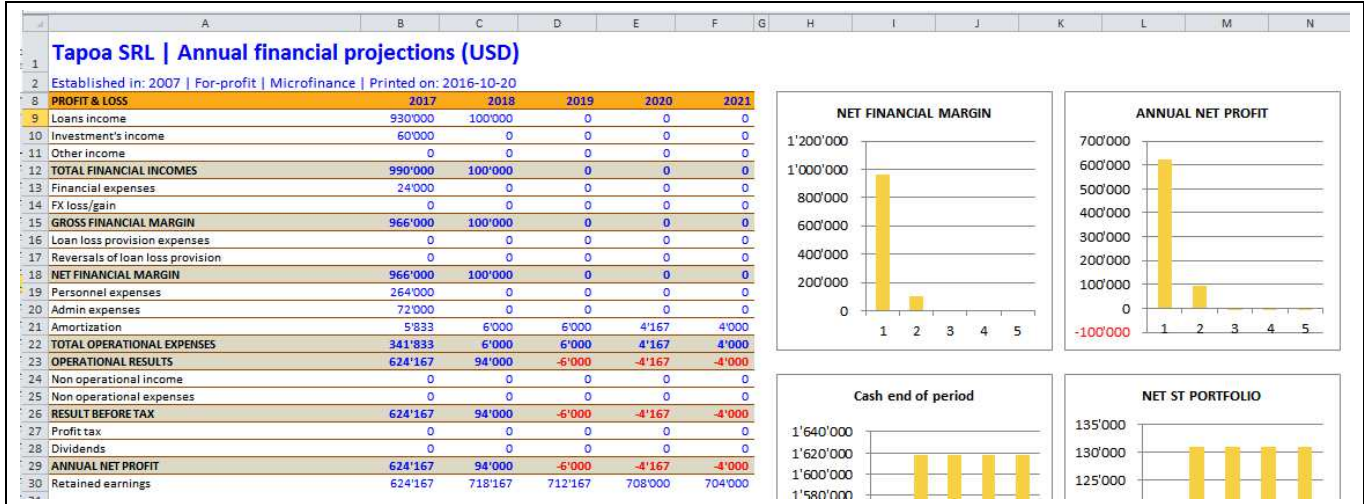
Ratios

	A	B	C	D	J	K	L	M	N	O	P	Q	R	S	T	U
1	Tapoa SRL Monthly financial projections (USD)															Year 1
127	RATIOS				JAN-2017	FEB-2017	MAR-2017	APR-2017	MAY-2017	JUN-2017	JUL-2017	AUG-2017	SEP-2017	OCT-2017	NOV-2017	DEC-2017
128	Liabilities / Equity				10.6	8.1	6.3	5.0	4.1	3.4	2.9	2.5	2.1	1.9	1.6	1.4
129	Operational expenses / Income				0.5	0.5	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3
130	Cash / Operational expenses				37.5	37.7	38.5	39.5	40.7	42.0	43.5	45.3	47.2	49.3	51.6	54.0

Three basic ratios are proposed here. The User can off course create his own ratios.

Sheet DASHBOARD

The dashboard sheet presents a one page consolidated report including charts.



The User can customize this report by hiding non-necessary lines. This may affect the size of the charts on the right side.

Conclusion

This simple tool can support establishing sound Financial Projections for small scale MFIs (assets < USD 10M).

The main goal is also to support the User to clearly understand the relationship between the Profit & Loss, the Cash Flow and the Balance Sheet and the play around with loan disbursements, necessary external borrowings or increase in equity.

Finally, the dashboard sheet presents a clear consolidated picture of the enterprise over a 5 years' time frame which can be useful to include in a more general presentation.